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A Message from Timothy Baron:

"Ouch."

Mortgage Rates Surge Past 2-Year Highs After Fed Announcement

Mortgage rates **skyrocketed (relatively)** following today's rate hike from the Fed. It wasn't the rate hike itself, however, that markets find most troubling. In fact, the hike was almost universally expected. Rather, this was one of the 4 Fed meetings of 2016 that included updated economic projections (sometimes referred to as "the dots" due to the dot-plot chart the Fed uses to show where members see the Fed Funds rate in coming years).

Today's dots showed that the Fed now sees **an additional rate hike** in 2016 compared to the last set of projections. Longer term rates like mortgages and 10yr Treasuries had already adjusted for today's hike, but they had not yet adjusted for any change in the dots. With time running out for traders to take advantage of liquidity ahead of the holidays, the race was on to sell bonds as quickly as possible. When traders sell bonds, it pushes rates higher.

Nearly every lender raised rates this afternoon--some of them multiple times. At first that took the form of mere increases in upfront costs (i.e. the contract rate itself wasn't moving higher), but subsequent reprices added up to an eighth of a point in rate for several lenders. From a range of 4.125-4.25%, top tier conventional 30yr fixed quotes moved up to a range of 4.25-4.375%--well into the highest levels in more than 2 years.

To recap: this isn't happening because the Fed hiked. This is a reaction to the shift in rate hike expectations among Fed members. It means they're having a Matrix-eque moment where they're "starting to believe." In this movie, the belief isn't about Kung Fu and dodging bullets, but rather about the ability to continue gently raising rates.

Today's Best-Execution Rates

- 30YR FIXED - 4.25-4.375%
- FHA/VA - 4.0%
- 15 YEAR FIXED - 3.375-3.5%
- 5 YEAR ARMS - 3.0 - 3.5% depending on the lender

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.82	+0.01
10 YR Treasury	4.9073	-0.0226
30 YR Treasury	5.2730	-0.0352

Pricing as of: 11/2 9:13AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Ongoing Lock/Float Considerations

- Rates had been trending higher since hitting all-time lows in early July, and exploded higher following the presidential election
- Some investors are increasingly worried/convinced that the decades-long trend toward lower rates has been permanently reversed, but such a conclusion would require YEARS to truly confirm
- With the incoming administration's policies driving a large portion of upward rate momentum, mortgage rates will be hard-pressed to make significant improvements until after Trump takes office. Rates can move for other reasons, but it would take something **big and unexpected** for rates to move appreciably lower.
- We'd need to see a sustained push back toward lower rates (something that lasts more than 3 days) before anything less than a cautious, lock-biased approach makes sense for all but the most risk-tolerant borrowers.
- *As always, please keep in mind that the rates discussed generally refer to what we've termed **'best-execution'** (that is, the most frequently quoted, conforming, conventional 30yr fixed rate for top tier borrowers, based not only on the outright price, but also 'bang-for-the-buck.' Generally speaking, our best-execution rate tends to connote no origination or discount points--though this can vary--and tends to predict Freddie Mac's weekly survey with high accuracy. It's safe to assume that our best-ex rate is the more timely and accurate of the two due to Freddie's once-a-week polling method).*

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Experienced. Trusted. Local.

The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me to be your mortgage lending partner.

Timothy Baron 

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